



# **State Owned Inventory Management System**

Required by Public Act 200 of 2012 Section 803(5)

Prepared for  
House and Senate Appropriations Sub-Committees

Department of Technology, Management and Budget  
Office of Support Services  
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Requirements in the DTMB budget for 2013 included the following language:

Sec. 803(5) The department of technology, management, and budget shall develop a plan regarding a statewide state-owned inventory management system. The plan shall be distributed to the senate and house of representatives standing committees on appropriations subcommittees on general government, as well as the senate and house fiscal agencies, by February 1. The plan shall include, but not be limited to, all of the following:

- (a) A listing of all current state-owned inventory management systems.
- (b) A listing of the necessary steps the department must take in order to implement a statewide state-owned inventory management system that will provide for an accurate accounting of all state owned inventory.
- (c) A cost estimate for implementing a statewide state-owned inventory management system.

DTMB has complied with item (a) and the list of current systems used across all State of Michigan Departments is attached. Currently, most departments have some type of inventory tracking system even if that system is just an excel spreadsheet or access database. The departments are utilizing tools that work for them to effectively track the specific types of inventory that they manage. Most Departments track inventory that is unique to their organization and specialized for specific types of operations.

In order to effectively complete items (b) and (c), it is important to understand and identify the types of inventory items that will be housed in a state owned inventory management system (IMS). The number and type of commodities populated in the system along with the number of end users is critical to appropriately sizing an IMS that will effectively meet the needs of all using Departments. The size, robustness and expandability of the system are direct cost drivers that will impact the ultimate purchase price and implementation costs of the IMS.

Inventory can be classified according to value, risk of loss and use across the enterprise. There are two commodities that are used across the entire State enterprise: IT commodities (PC's, printers, servers, etc.) and modular or systems furniture. IT commodities are currently tracked in five inventory management systems. Systems furniture is tracked differently by departments. There are five main Departments that store furniture inventory: DTMB, DHS, LARA, MDOT and DOS. DTMB has all of its warehoused systems furniture tracked in a real-time IMS. The other four Departments do not utilize a system to track their systems furniture. All five Departments store their furniture in a warehouse environment in the Lansing area. An estimate of some of the State owned furniture inventory is:

	Original State Expenditure	Current Value on Refurbish Market
DTMB	\$ 2,006,868	\$308,749
DHS	\$ 631,204	\$ 97,108
LARA	\$ 358,025	\$ 55,081

The remaining items that are considered State inventory should be evaluated based on value, risk of loss and the time/effort/cost to track in an IMS. Bulk consumable items, such as office supplies are so low in value that it would cost more to enter them into and out of an IMS in order to track them than the item is valued at. Capital assets, those items valued at more than \$5,000, are currently tracked on the schedule of fixed assets and maintained in the ADPICS system.

Currently, the State is in the process of moving towards a new Enterprise Resource Planning (ERP) tool. This tool is expected to include components for financial transactions including

tracking of financial assets such as those capital assets. Most ERP systems have an inventory management available as an operational component of the system. If the decision is made to implement a comprehensive state wide inventory management system, utilizing the module that is part of the chosen ERP package will allow the State to store all financial and transactional data in one complete system. It is anticipated that the new system will be in place in the next two to three years.

Based on the disparate type of products kept by the Departments across the State, it is recommended that each individual Department be allowed to continue to maintain their current mechanism for tracking their inventory. For items that are utilized across several Departments, such as systems furniture, it is recommended that the State explore the costs of implementing a common system to be used across all State departments.

The cost of a common system will vary based on the number of users, the number of items tracked and varying features required by each department. For the purposes of this estimate, it is assumed that a system will be purchased by DTMB with the minimum usage to fulfill the management of the inventory in the Lansing warehouse environment for DTMB and its customers that warehouse systems furniture. This system will also be expandable to bring on additional Departments and inventory where there is a proven return-on-investment versus the existing system or method in use. The early estimates for the initial cost of such a system are in the range of \$300K-\$600K. The cost for any additional Departments to join in the future will follow consistent pricing, but will be individually determined by factors such as the number of users and complexity of items to inventory.